

annual report

Sgt
J. HARRIS AND SONS, LIMITED



ANNUAL REPORT 1970
For the year ended
December 19, 1970

Financial Highlights

	1970 FISCAL YEAR	1969 FISCAL YEAR
Gross Revenue	\$13,016,901	\$13,669,552
Net Earnings		
Reinforced Concrete	290,831	24,841
Per Share	33.3¢	2.9¢
Real Estate (loss)	(98,912)	74,374
Per Share	(11.3¢)	8.7¢
Total Net Earnings	191,919	99,215
Per Share	22¢	11.6¢
Funds Provided By Operations	323,023	386,226
Per Share	37¢	45¢
Working Capital Position (using previous treatment of deferred tax)	1,142,339	974,708
Working Capital (using new treatment of deferred taxes)	892,269	676,756
Average Number of Shares Outstanding	873,800	852,650
Average Number of Shares Outstanding Under Option*	896,717	872,650

* After giving effect to cancellation of option for 10,000 shares in February, 1971.



Hamilton Reservoir — Armstrong Bros., Contractors

DIRECTORS

GORDON ATLIN, Q.C.	Toronto, Ontario
MONTE C. BEDER	Toronto, Ontario
J. JUDD BUCHANAN, M.P.	London, Ontario
MILTON E. HARRIS	Toronto, Ontario
EDWARD RICHMOND, Q.C.	London, Ontario
NATHAN L. SANDLER	Toronto, Ontario
SYDNEY H. VAISLER	London, Ontario

OFFICERS

MILTON E. HARRIS	Chairman & President
JAMES WILSON	Vice-President Operations
GORDON ATLIN, Q.C.	Secretary-Treasurer

AUDITORS

Perlmutter, Orenstein, Giddens, Newman & Co.

SOLICITORS

Atlin, Goldenberg & Co.

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada

BANKER

Canadian Imperial Bank of Commerce

HEAD OFFICE

Toronto

ADMINISTRATION OFFICES

Stoney Creek (Hamilton) Ontario

Plants, Divisions and Subsidiary Companies

Fabrication and Erection	J. Harris and Sons Limited
Saunders Form Hardware and Industrial Wire Products	Laurel Steel Products Limited
Concrete Post-tensioning	VSL Canada Limited VSL Ltee.
Real Estate	J. Harris and Sons Developments (Middlesex) Limited

Offices and/or plants in Toronto, Stoney Creek (Hamilton), Windsor, London, Port Arthur and other Ontario centres, Montreal, P.Q. and in Dartmouth, Nova Scotia.

President's report to the shareholders of J. Harris and Sons Limited



1970 has been a very satisfactory year in most respects in your company's drive to a higher level of earnings. The overall company profits doubled over the previous year, but the reinforced concrete divisions increased their contribution to earnings twelve-fold.

The real estate division J. Harris & Sons Developments (Middlesex) Ltd., has had a very disappointing year and has incurred a loss for the year.

Conditions of high unemployment created weaker rental conditions in our areas of activity and this caused us to severely curtail our construction program. Higher mortgage costs reduced the economic selling price of our units, and increased building costs further squeezed margins. We have attempted to market condominium apartments in London, Ontario but the market response was poor. We have therefore withdrawn this project rather than involve the company in the risk of a large loss. All of the costs of this condominium project have been written off in 1970.

Because of the factors mentioned above, as well as certain proposals of the Government and the House of Commons Committee for Tax Reform which will make investment in rental real estate less attractive in Canada, your management has decided to discontinue, for the time being, the operations of this division. Two of the four remaining pieces of land have been sold and the office has been closed down. It is not anticipated that this division will produce any significant profits or losses in 1971.

You can see from the financial highlights opposite that the reinforced concrete divisions J. Harris & Sons Ltd., Laurel Steel Products Ltd., and V.S.L. Canada Ltd. earned 33 share and the real estate division lost 11 share. The performance of the reinforced concrete divisions, in what was generally a poor construction market, reflects the favourable affect of our reorganization of these divisions and the centralization of the management, administration and manufacturing at our Stoney Creek (Hamilton) complex. This has resulted in much lower administration and marketing overhead, much closer operational and financial control and a tighter, stronger and more effective organization. All of the reinforced concrete divisions performed well in 1970.

The first quarter of our fiscal year, due to construction slowness in the winter months, is always poor and returns a loss. Because of the general economic slowdown and the extraordinary costs of reorganization, the first quarter of 1970 showed a much larger than usual loss. This was overcome by the end of the first half and all of the profits were earned in the third and fourth quarters.

In assessing the prospects for the 1971 fiscal year I must be highly optimistic because of what

is shaping up as one of the best first quarters in our history, a good backlog of work, and an overwhelming list of new jobs out for tender.

All of the present signs point to a strong construction market in the period ahead with excellent profit opportunities for well-managed companies. Under the aegis of new legislation, both labour and management are taking a more responsible attitude to negotiations this year. We are optimistic that there will be little labour strife in the industry in 1971.

1969 and 1970 were two years where the Federal Government was primarily concerned with fighting inflation in our economy and this caused a severe restriction in building in the public and private sectors. There has ensued a serious increase in unemployment which cannot be sustained socially or politically, and the government has shifted its stance to stimulation of the economy. Heavy construction is one of the few alternatives available to a government which wants to increase employment rapidly. According to estimates tabled in the House of Commons by Treasury Board President C. M. Drury, Federal government departments are forecasting a 33% increase in their construction spending during 1971-72. Easier and cheaper money is bringing a considerable volume of public and private projects to the market. The past period of economic slowdown has only increased the pent-up demand in the 1970's for such construction products as housing, highway and rapid transit, electric power facilities, and sanitation and anti-pollution structures.

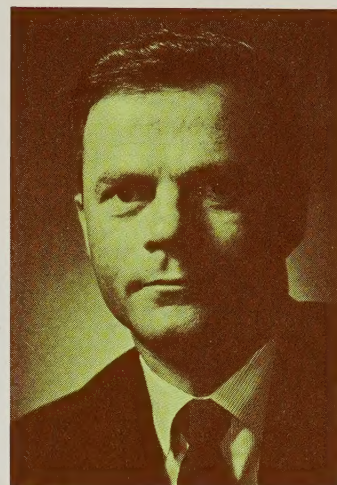
Although the treatment of some deferred taxes which will not be paid in the current period, has been changed from a deferred to a current liability on the 1970 balance sheet, we have considerably strengthened our effective working capital position. We are therefore looking for new opportunities to use our financial and management strengths to further expand our operations in the fields we know best. To this end we have incorporated a company, V.S.L. Ltée, and hired personnel, to market our construction services in Quebec.

I would like to thank my whole staff, but particularly our management, for an outstanding effort in achieving these excellent results in a very difficult year.

In the year ahead, we will continue to apply our depth of managerial talent, and our increasing capabilities, to further our drive toward higher levels of profitability which we believe are attainable in the 1970's.

Milton E. Harris,
President and Chairman.

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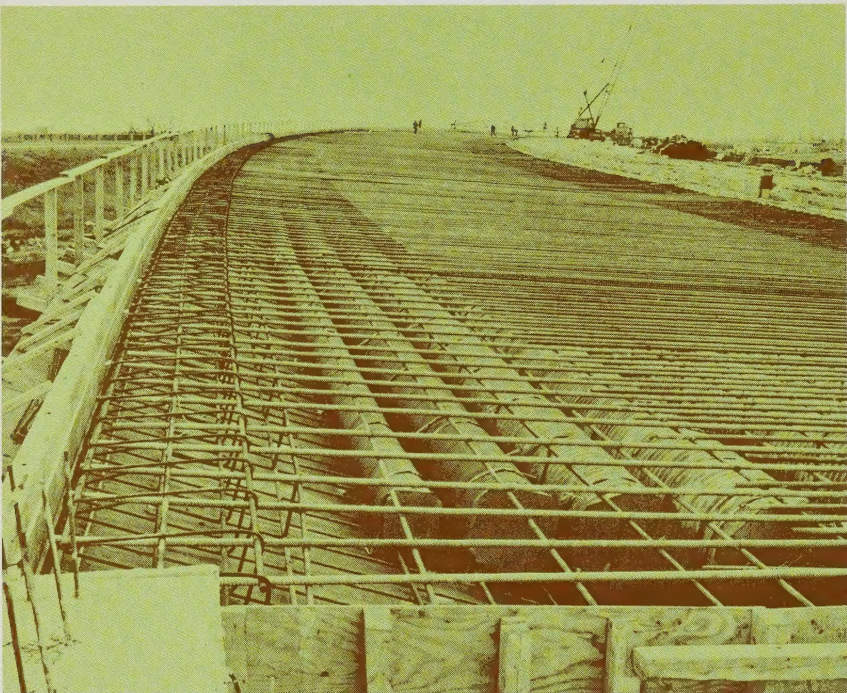
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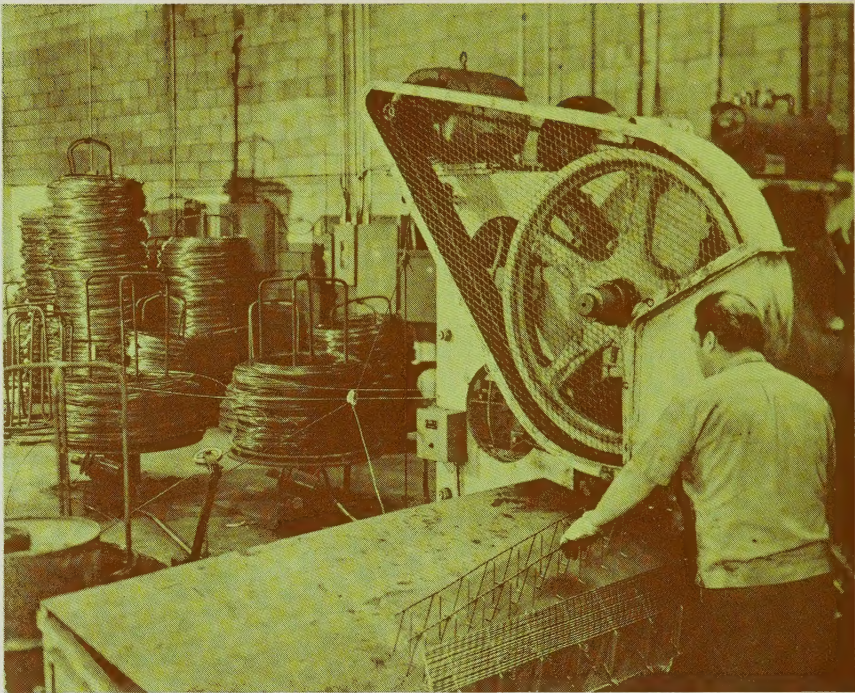
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A handwritten signature in dark ink, appearing to read 'M. E. Harris'.

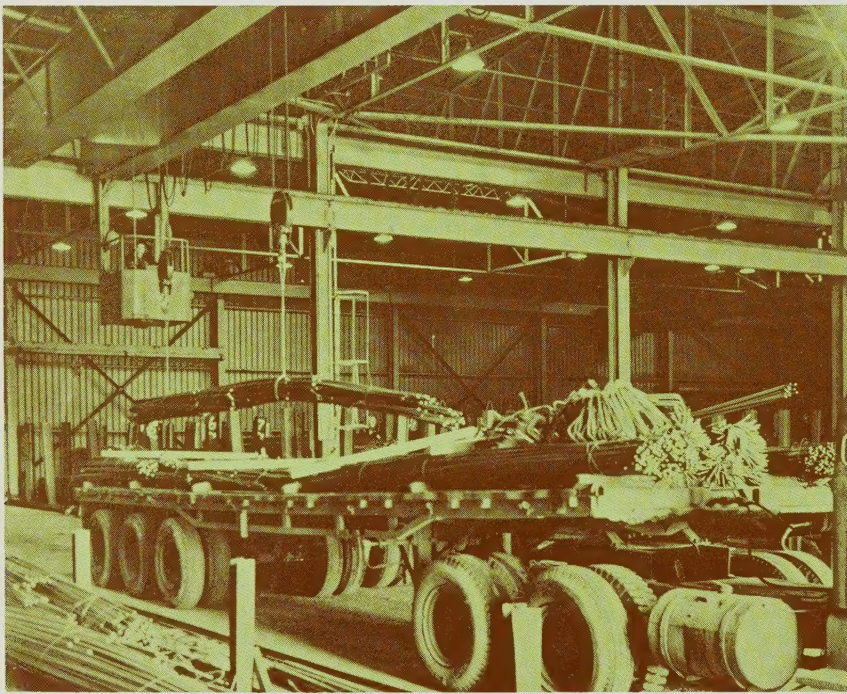
Milton E. Harris,
President and Chairman.



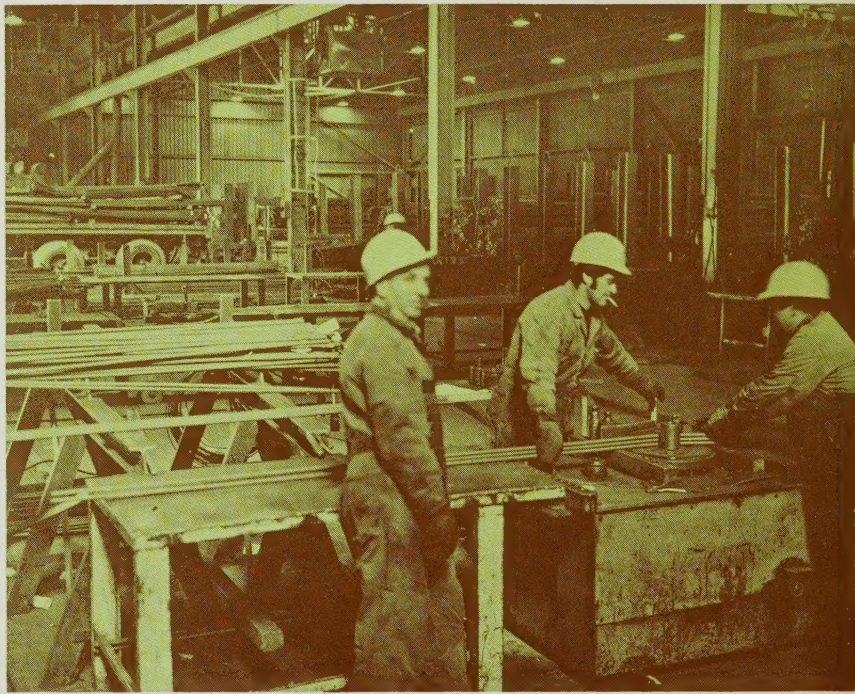
Highway 20 and Queen Elizabeth Interchange — Department of Highways, Ontario



Laurel Steel — Automatic Wire Machines



Reinforcing Plant — Loading Area



Reinforcing Steel Plant

J. HARRIS AND SONS, LIMITED



Auditors' Report

To the Shareholders of J. Harris & Sons, Limited.

We have examined the consolidated balance sheet of J. Harris & Sons, Limited and its wholly owned subsidiaries as at December 19, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 19, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO.

Chartered Accountants.

Toronto, Ontario, March 3, 1971.

**Consolidated
balance sheet
as at
December 19, 1970
with 1969
comparisons**

ASSETS

CURRENT ASSETS

	1970	1969
Accounts receivable (after allowance for doubtful accounts of \$21,250; 1969 — \$24,274)	\$ 3,525,850	\$ 2,894,555
Inventories — at the lower of cost or net realizable value (note 2)	1,079,184	1,632,988
Mortgage advances receivable	37,000	319,473
Current portion of mortgages and notes receivable	37,449	118,400
Due from officer	14,758	18,713
Income taxes recoverable	—	45,515
Prepaid expenses and sundry assets	25,919	41,783
	<u>\$ 4,720,160</u>	<u>\$ 5,071,427</u>
MORTGAGES AND NOTES RECEIVABLE	\$ 101,235	\$ 185,376
Less — Amount included in current assets	37,449	118,400
	<u>\$ 63,786</u>	<u>\$ 66,976</u>
INVESTMENT — in private company — at cost	\$ 28,500	\$ 28,500
FIXED ASSETS — at cost less accumulated depreciation of \$1,092,724; 1969—\$884,179 (note 3)	\$ 1,052,332	\$ 1,211,726
DEFERRED EXPENSES — less amount amortized (note 4) ..	\$ 5,963	\$ 20,328
GOODWILL — at cost	\$ 50,000	\$ 50,000
Total assets	<u>\$ 5,920,741</u>	<u>\$ 6,448,957</u>

The accompanying notes form an integral part of these consolidated financial statements.

J. HARRIS AND SONS, LIMITED

LIABILITIES

CURRENT LIABILITIES

	1970	1969
Bank indebtedness (note 5)	\$ 1,033,472	\$ 1,443,455
Accounts payable and accrued liabilities	1,825,035	1,792,064
Mortgages payable on land inventory	99,000	355,700
Employee deductions and sales taxes payable	188,300	143,190
Estimated cost to complete sold property	—	176,633
Loans payable (including director's loan of \$39,096; 1969 — \$42,998)	112,569	106,353
Current portion of long-term debt	34,143	52,018
Dividend payable	—	27,306
Income taxes payable	285,302	—
Deferred income taxes (note 6)	250,070	297,952
	<u>\$ 3,827,891</u>	<u>\$ 4,394,671</u>

LONG-TERM DEBT

Mortgage payable — 8%, due 1975 (note 7)	\$ 188,761	\$ 220,328
Note payable	—	20,451
	<u>\$ 188,761</u>	<u>\$ 240,779</u>
Less — Amount included in current liabilities	34,143	52,018

DEFERRED INCOME TAXES (note 6)

\$ 154,618 \$ 188,761

\$ 264,884 \$ 356,790

Total liabilities

\$ 4,247,393 \$ 4,940,222

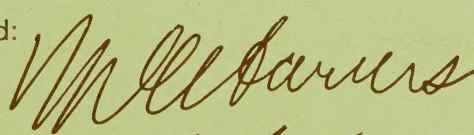
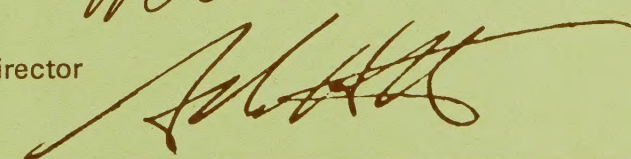
SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8)	\$ 348,951	\$ 348,951
RETAINED EARNINGS	1,324,397	1,159,784
	<u>\$ 1,673,348</u>	<u>\$ 1,508,735</u>
	<u>\$ 5,920,741</u>	<u>\$ 6,448,957</u>

Approved on behalf of the Board:

MILTON E. HARRIS - Director

GORDON ATLIN, Q.C. - Director

**Consolidated
statement of
retained earnings
for the year ended
December 19, 1970
with 1969
comparisons**

	1970	1969
BALANCE — beginning of year	\$ 1,159,784	\$ 1,190,197
Add — Net earnings	191,919	99,215
	<u>\$ 1,351,703</u>	<u>\$ 1,289,412</u>
Less — Dividends	\$ 27,306	\$ 107,881
— Prior years' income tax adjustment	—	10,567
— Expenses in connection with the issue of common shares	—	11,180
	<u>\$ 27,306</u>	<u>\$ 129,628</u>
BALANCE — end of year	<u><u>\$ 1,324,397</u></u>	<u><u>\$ 1,159,784</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

J. HARRIS AND SONS, LIMITED

Consolidated statement of earnings for the year ended December 19, 1970 with 1969 comparisons

	1970	1969
GROSS REVENUE (note 9)	\$13,016,901	\$13,669,552
EARNINGS BEFORE THE UNDERNOTED ITEMS	\$ 775,624	\$ 560,499
Depreciation	\$ 208,645	\$ 208,500
Amortization of deferred expenses (note 4)	14,365	14,574
Interest (including interest on long-term debt \$16,095; 1969 — \$15,598)	120,195	153,710
	\$ 403,205	\$ 376,784
NET EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	\$ 372,419	\$ 183,715
Provision for income taxes		
Current	\$ 344,388	\$ 49,400
Deferred	(139,788)	42,100
	\$ 204,500	\$ 91,500
NET EARNINGS BEFORE EXTRAORDINARY ITEM	\$ 167,919	\$ 92,215
Extraordinary item		
Reduction of current year's income tax pro- vision resulting from the carry forward of prior years' losses	24,000	7,000
NET EARNINGS (note 9)	\$ 191,919	\$ 99,215
EARNINGS PER SHARE		
Net earnings before extraordinary item	19.2¢	10.8¢
Net earnings	22.0¢	11.6¢

The accompanying notes form an integral part
of these consolidated financial statements.

**Consolidated
statement of
source and
application of funds
for the year ended
December 19, 1970
with 1969
comparisons**

SOURCE OF FUNDS	1970	1969
Operations		
Net earnings	\$ 191,919	\$ 99,215
Add (deduct) —		
Amounts not requiring (providing) funds		
Depreciation and amortization	223,010	223,074
Deferred income taxes relating to non-current items	(91,906)	63,937
	<u>\$ 323,023</u>	<u>\$ 386,226</u>
Issue of common shares	—	348,850
Net increase in non-current portion of mortgages and notes receivable	3,190	—
	<u>\$ 326,213</u>	<u>\$ 735,076</u>
APPLICATION OF FUNDS		
Additions to fixed assets (net)	\$ 49,251	\$ 229,787
Dividends	27,306	107,881
Provision for payment of long-term debt	34,143	52,018
Mortgages and notes receivable (non-current portion)	—	66,976
Adjustment of prior years' income taxes payable	—	48,269
Expenses in connection with the issue of common shares	—	11,180
	<u>\$ 110,700</u>	<u>\$ 516,111</u>
INCREASE IN WORKING CAPITAL	\$ 215,513	\$ 218,965
WORKING CAPITAL —		
beginning of year	676,756	457,791
end of year	<u>\$ 982,269</u>	<u>\$ 676,756</u>

The accompanying notes form an integral part
of these consolidated financial statements.

J. HARRIS AND SONS, LIMITED

Notes to consolidated financial statements — December 19, 1970

1. PRINCIPLES OF CONSOLIDATION

The accounts of all the Company's subsidiaries are included in the consolidated financial statements attached.

2. INVENTORIES

	1970	1969
Reinforced concrete operations:		
Raw materials	\$ 524,807	\$ 730,204
Work in process	43,180	32,475
Finished goods	69,008	60,934
	<u>\$ 636,995</u>	<u>\$ 823,613</u>
Real estate operations:		
Land (including development costs)*	\$ 442,189	\$ 311,978
Construction in progress	—	497,397
	<u>\$ 442,189</u>	<u>\$ 809,375</u>
	<u>\$1,079,184</u>	<u>\$1,632,988</u>

* Subsequent to the year end, two parcels of land were sold for \$222,200 and a third parcel was optioned at a price of \$51,000. The total cost of these properties amounted to \$283,584 and accordingly the land inventory as at December 19, 1970 has been written down by \$10,384 to reduce these properties to their net realizable value.

3. FIXED ASSETS

	Cost	Accumulated depreciation	Net
Real estate and improvements	\$ 313,944	\$ 113,133	\$ 200,811
Machinery and equipment	1,070,879	557,205	513,674
Forms	483,806	205,023	278,783
Vehicles and cranes	276,427	217,363	59,064
	<u>\$2,145,056</u>	<u>\$1,092,724</u>	<u>\$1,052,332</u>

Depreciation is provided on the straight line method based upon the estimated useful life of each group of assets.

4. DEFERRED EXPENSES

These expenses represent development and establishment costs of reinforced concrete operations and are being written off over a three year period.

5. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of book debts and a specific assignment of the investment in a private company.

6. DEFERRED INCOME TAXES

In prior years, the liability for all deferred income taxes was treated as a non-current liability. In order to conform with current reporting requirements as set forth by the Canadian Institute of Chartered Accountants, the Company has treated as a current liability those deferred income taxes relating to current assets. The 1969 liability for deferred income taxes has been reclassified to conform with the 1970 presentation.

7. MORTGAGE PAYABLE

The aggregate amount of principal payments required in each year until maturity date is as follows:

1971	\$ 34,143
1972	36,929
1973	39,942
1974	43,201
1975	34,546
	<u>\$188,761</u>

8. CAPITAL STOCK AND STOCK OPTIONS

Capital stock — Authorized, 2,000,000 common shares without par value; issued and outstanding, 873,800 shares.

Stock options — The following treasury shares are reserved with respect to options to key employees other than the president and chairman of the board:

12,000 @ \$2.375	expiring in 1972
8,000 @ \$3.25	expiring in 1973 (after giving effect to the cancellation on February 28, 1971 of an option to purchase 10,000 shares)
8,750 @ \$1.35	expiring in 1975 (these options were granted during 1970)

28,750

9. EARNINGS SUMMARY

	1970	1969
Gross revenue from		
Reinforced concrete operations	\$11,675,253	\$11,841,452
Real estate operations	1,341,648	1,828,100
	<u>\$13,016,901</u>	<u>\$13,669,552</u>
Net earnings from		
Reinforced concrete operations	\$ 290,831	\$ 24,841
Real estate operations	(98,912)	74,374
	<u>\$ 191,919</u>	<u>\$ 99,215</u>

10. UNABSORBED TAX LOSSES

As at December 19, 1970 two of the subsidiaries have unabsorbed tax losses in the total amount of approximately \$84,000 available for offset against their profits of future years.

11. CONTRACTUAL OBLIGATIONS

There are various leases with annual rentals totalling approximately \$51,000 expiring at various dates to 1978.

12. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers (as defined by the Ontario Business Corporations Act, 1970) amounted to \$144,998 (of which \$2,000 is directors' fees).



J. HARRIS AND SONS, LIMITED

CONCRETE REINFORCING STEEL • REAL ESTATE DEVELOPMENT • FORM HARDWARE
POST-TENSIONING • INDUSTRIAL WIRE PRODUCTS